

Message Text

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C O N F I D E N T I A L JAKARTA 2083

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E.O. 11652: GDS
TAGS: EFIN, PINT, ID
SUBJECT: IMPLICATIONS OF GOI ACTION/STATEMENTS ON CORRUPTION

REF: (A) STATE 031496, (B) 76 JAKARTA 14703

1. SUMMARY. EMBASSY BELIEVES CURRENT ROUND OF LIMITED GOI ANTI-CORRUPTION ACTION/STATEMENTS DEFENSIVE IN NATURE, MOTIVATED IN PART BY ECONOMIC EXIGENCIES AND IN PART BY PRE-ELECTION IMAGE-PROTECTION. THERE ARE NO SIGNS OF SUSTAINED, BROAD-BASED GOI ATTACK ON CORRUPTION .
VARIOUS GOI PERSONAGES ARE USING CORRUPTION ISSUE TO DISCREDIT OPPONENTS,
BUT WE SEE NO EVIDENCE IN ACTIONS TAKEN TO DATE THAT PRESIDENT IS QUOTE CAPTIVE TO POWERFUL FORCES WITHIN THE MILITARY END QUOTE.
END SUMMARY.

2. THE ATTENTION OF GOI AND INFORMED INDONESIAN PUBLIC IS RIVETTED THESE DAYS ON CORRUPTION ISSUE. LATEST ROUND OF CORRUPTION FEVER TOUCHED OFF BY LAST NOVEMBER'S NEWSWEEK ARTICLE ON "FADING" GOI LEADERSHIP, FOLLOWED IN QUICK ORDER BY BULOG, BANK BUMI DAYA (BBD) AND PALAPA CASES.

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3. IN TWO OF THESE CASES, BULOG AND BBD, GOI INITIATED

INVESTIGATIVE ACTION AND, IN FORMER AT LEAST, WIDELY PUBLICIZED CORRUPTION UNCOVERED. WE BELIEVE MOTIVATION IN BOTH CASES MAINLY ECONOMIC EXIGENCIES, I.E., NEED TO HALT SRIIOUS DRAIN ON TREASURY OF BULOG/BBD MISMANAGEMENT. ESPECIALLY IN BBD CASE, CRITICAL ROLE OF BANK IN OVERALL DEVELOPMENT EFFORT AND WIDESPREAD, DAMAGING

RUMORS OF IRRUGLARITIES FORCED ACTION. IN BULOG CASE, ADDITIONAL CLEAR MOTIVE WAS PRE-ELECTION GOI IMAGE-PROTECTION, ESPECIALLY ON POTENTIALLY EXPLOSIVE ELCTION ISSUE LIKE RICE SUPPLY. ON PALAPA CASE, WHICH INTITIATED BY SOURCES OUTSIDE GOI (I.E., THE NEW YORK TIMES), GOI, UNDER PRESSURE FROM PARLIAMENT AND PRESS, HAS EXPRESSED INTEREST IN OBTAINING EVIDENCE WHICH WOULD PERMIT PURSUAL OF THE CASE.

4. IN ALL THREE CASES, WE NOTE THAT HIGH LEVEL OFFICIALS HAVE BEEN TREATED LESS HARSHLY THAN MIGHT SEEM WARRANTED IN CIRCUMSTANCES. BULOG'S ARIFIN AND MINISTRY OF COMMUNICATIONS SECGEN SUHARDJONO CONTINUE FOR MOMENT AT LEAST TO HOLD THEIR JOBS AND ENJOY ATTENDANT BENEFITS. BBD'S MASSIE, WHO HAS OF COURSE BEEN SACKED, IS NOT BEING ACCUSED OF ANY WRONG-DOING OR EVEN PUBLICLY CITED FOR BAD JUDGMENT. CHANGE AT BBD, OFFICIALLY, IS MERELY "INTERNAL CONSOLIDATION." MOREOVER, THERE WIDESPREAD ASSUMPTION THAT VIGOROUS INVESTIGATION OF THESE THREE PRINCIPALS WOULD INculpATE MORE PROMINENT OFFICIALS, CREATING SERIOUS POLITICAL PROBLEM FOR GOI. IN BBD CASE, IN PARTICULAR, BASIS OF PROBLEM IS THOUGHT TO BE HEAVY PRESSURE BY POWERFUL OFFICIALS WITH VESTED BUSINESS INTERESTS ON BBD FOR UNSOUND LOANS.

5. WE BELIEVE, IN SHORT, THAT GOI'S ACTIONS SO FAR HAVE BEEN LIMITED, PERHAPS MINIMUM POSSIBLE UNDER CIRCUMSTANCES, AND EITHER DIRECTLY OR INDIRECTLY DEFENSIVE IN NATURE. WE SEE NO STRONG EVIDENCE OF BRAOD-ASED, SUSTAINED ATTACK ON CORRUPTION, EITHER INDEPENDENTLY GENERATED BY SUHARTO OR FORCED UPON HIM BY OTHERS.

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6. AS MADE EXPLICITI IN OUR PAST REPORTING (REF B FOR EXAMPLE), CORRUPTION CASES WHI H HAVE THUS FAR SURFACED ARE BEING USED BY VARIOUS ELEMENTS WITHIN GOI FOR THEIR OWN, SOMETIMES UNCLEAR POLITICAL PURPOSES. MILITARY LEADERS FIGURE HIGH, OF COURSE, IN ALL SPECULATION. WE HAVE HAD INDICATIONS THAT SOME HIGH-LEVEL OFFICERS HAVE INDIRECTLY EXPRESSED CONCERN TO PRESIDENT OVER CORRUPTION, AND THERE IS CONSIDERABLE GRUMBLING ON THIS SUBJECT WITHIN THE SILIWANGI ASSOCIATION, WHICH MIGHT HAVE REACHED SUHARTO'S EAR. ONE PROMINENT JOURNALIST FRANKLY TOLD US THAT THE PUBLICITY HIS PAPER HAS GIVEN RECENT CASES WAS DESIGNED TO ELICIT ACTION ON PART OF "THE GOOD GUYS" IN THE MILITARY. WE STRONGLY DOUBT, HOWEVER, THAT DEFINABLE ANTI-CORRUPTION MOVEMENT DESIRED BY THIS JOURNALIST HAS COALESCED WITHIN THE MILITARY. WE LIKewise HAVE NO EVIDENCE THAT ANTI-CORRUPTION ACTIONS TAKEN TO DATE WERE ADVOCATED BY "POWERFUL FORCES IN THE MILITARY," AS SUGGESTED BY

EA SOURCES. SUDOMO, WHO HAS ACTED AS THE PRESIDENT'S MAN, WOULD APPEAR TO BE AN UNLIKELY CATALYST FOR SUCH ACTION (ALTHOUGH HE MAY HAVE HAD ROLE IN PUSHING THE BULOG CASE). OUR RECOLLECTION,

INCIDENTALLY, IS THAT "KUOMINTANG" ANALOGY WAS ORGINALLY RAISED BY PANGKOWILHAN II COMMANDER WIDODO, WHO IS NOT KNOWN AS "MR. CLEAN," BUT WHO HAS FREQUENTLY WARNED AGAINST DANGER THAT EXCESSIVE MATERIALISM WILL WEAKEN STATE AGAINST COMMUNIST THREAT.

7. THE PRESIDENT DOES NOT, OF COURSE, NEED A NUDGE FROM THE MILITARY TOUNDERSTAND THE DAMAGE THAT CAN BE DEALT HIS IMAGE BY BLATANT CORRUPTION IN THIS ELECTION PERIOD. WE BELIEVE HE WILL PERMIT AND PERHAPS INITIATE CONTROLLED INVESTIGATION OF CHARGES NOT INVOLVING HIS IMMEDIATE FAMILY. IF REASONABLY GOOD EVIDENCE IS PRODUCED AGAINST SUHARDJONO (HUGHES ARICRAFT CONTRACT DOES NOT THUS FAR PROMISE SUCH EVIDENCE BUT OTHER DEALS MIGHT BE EXPLORED), WE BELIEVE SUHARTO WOULD RETIRE HIM FROM OFFICE. BULOG'S ARIFIN IS PROBABLY MORE SECURE BUT NOT INVULNERABLE. IN SUM, SUHARTO SEEMS TO US TO BE REACTING "IN CHARACTER" TO ELECTORAL AND FINANCIAL CHALLENGES. WE DO NOT SEE NEW FORCES AT

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WORK BEHIND THE SCENES AS SUGGESTED BY EA'S ASTUTE OBSERVER.
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